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John Marshall

ANNUAL DEVELOPMENT PROGRAM PROJECT

recommendations TO THE MAYOR JUNE 1973

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July 16, 1973

Mayor Joseph L. Alioto
Room 200, City Hall
San Francisco, California 94102

Dear Mr. Mayor:

Transmitted herewith is a report by the Technical Advisory Committee on the Flexible Funding Project on a proposed annual improvement programming procedure and recommendations for improving the coordination, control and management of local, state and federal funds for community improvement programs. The report was prepared with funds provided to the City by the Federal Regional Council through a contract entered into July 14, 1972.

You asked Allan Jacobs to assume the responsibility for the completion of the studies and reports in the work program specified in the contract. These studies and reports have been completed and are transmitted herewith.

The report contains four recommendations found on pages 25 through 52 of the report which, summarized, are as follows:

1. The Mayor should issue annual reports that provide guidelines for the allocation of funds for major community improvement programs.
2. A central control and clearinghouse for state and federal funds should be established in the Mayor's Office to coordinate efforts to seek, administer and account for federal or state funding for local programs.
3. Budgeting procedures should be initiated and enforced which would provide better budget information through reports, analysis and program budgeting; and more realistic budgeting by permitting greater administrative flexibility in ~~budgeting~~ but greater restriction on the use of supplemental ~~appropriation~~ requests.
4. The Mayor should seek agreements from state and federal agencies to recognize local program planning and coordination efforts, to cooperate and assist with these efforts and to work for reforms in state and federal procedures that affect local governments.

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Mayor Joseph L. Alioto

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July 16, 1973

Charles Forester was project manager for the preparation of the report and John Anderson was the principal consultant. They were assisted by other members of Allan Jacobs' staff and staff of other City agencies. They consulted frequently with members of your staff and staff of the Federal Regional Council.

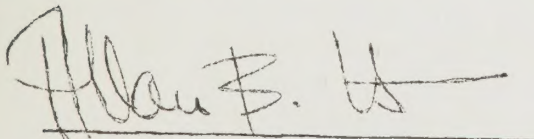
The entire conduct of the preparation of this report was reviewed on a regular basis by the Technical Advisory Committee which consists of the City officials whose signatures appear hereunder.

The preliminary recommendations in the report have been presented by the staff to your Citizens Committee on Community Development. There has been no presentation of the report, otherwise, except to staff of the Federal Regional Council.

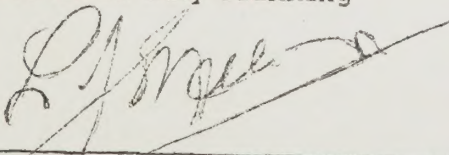
On pages 13 through 17 of this report is a suggested schedule for the annual improvement programming process, the subject of Recommendation No. 1. We wish to call your attention to the possibility that the tentative agreement between you and the Board of Supervisors to advance certain budget dates may alter the suggested schedule. Your agreement with the Board was announced on the same day the Committee adopted this report; therefore we did not have the opportunity to reassess our recommendation in the light of this new proposal.

We recommend that you meet soon with the Federal Regional Council concerning this report. The Technical Advisory Committee would like the opportunity to meet with you prior to your meeting with the Council.

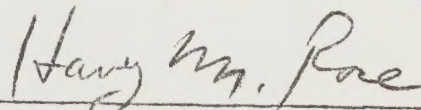
Respectfully submitted,



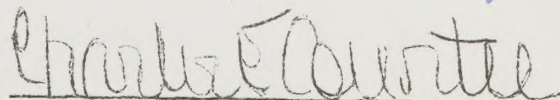
Allan B. Jacobs, Chairman
Director of City Planning



Thomas J. Mellon
Chief Administrative Officer



Harvey Rose
Budget Analyst, Board of Supervisors



Charles Countee
Director, Model Cities Program

Mayor Joseph L. Alioto

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July 16, 1973

John H. Tolan Jr.

John H. Tolan, Jr.
Deputy for Development

Robert L. Rumsey

Robert L. Rumsey
Executive Director, Redevelopment Agency

Nathan B. Cooper

Nathan B. Cooper
Controller

William Becker

William Becker
Director, Human Rights Commission

George Grubb

George Grubb
Director of Budgets

Francis J. Curry, M.D.

Dr. Francis Curry, Director
Department of Public Health

*mayor's
office*

RECOMMENDATIONS
FOR
PROGRAM DEVELOPMENT & MANAGEMENT
IN
SAN FRANCISCO

A Report to the Mayor

July, 1973

BY

The Technical Advisory Committee,
Annual Development Program Project

The preparation of this report was financed in part through a comprehensive planning grant from the Department of Housing and Urban Development, under provisions of Section 201 of the Housing Act of 1954, as amended.

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SUMMARY OF RECOMMENDATIONS

1. The Mayor should issue annual reports that provide guidelines for the allocation of funds for major community improvement programs .
2. A central control and clearinghouse for state and federal funds should be established in the Mayor's office to coordinate efforts to seek , administer and account for federal or state funding for local programs .
3. Budgeting procedures should be initiated and enforced which would provide better budget information through reports , analysis and program budgeting; and more realistic budgeting by permitting greater administrative flexibility in budgeting but greater restriction on the use of supplemental appropriation requests .
4. The Mayor should seek agreements from state and federal agencies to recognize local program planning and coordination efforts , to assist and cooperate with these efforts and to work for reforms in state and federal procedures that affect local governments .

BACKGROUND

Early in 1972, Mayor Alioto asked the Federal Regional Council, Region Nine, to assist his efforts in adjusting management and administrative units and procedures in San Francisco to accommodate to the consequences of revenue sharing and the increased emphasis on local administrative authority being required by federal agencies. Mayors and administrators of other large cities were making similar requests. The Mayor was concerned that the federal directives being issued from Washington preceeding the enactment of general revenue sharing were, in effect, dictating how local government is to be organized administratively without sufficient allowance for local option, traditions, or political circumstances. The Mayor, with other mayors, urged the federal agencies to give local government officials the chance to work out procedures and changes suited to local situations and needs. In some instances federal agencies responded affirmatively by providing technical and financial assistance to cities that were making efforts to improve local planning, management and administrative capabilities.

The Federal Regional Council, Region Nine, representing seven federal agencies, provided San Francisco with a grant of \$50,000 to study ways and means to improve its planning efforts and management capabilities. The federal agencies cooperating in this effort are: Department of Housing & Urban Development, Department of Health, Education & Welfare, Department of Labor, Department of Commerce, Department of Transportation, Department of Justice and Office of Economic Opportunity.

At the request of the Mayor, the Director of Planning assumed responsibility for the portion of the study contained in this report.

The study was begun in September, 1972 and continues to September, 1973.

Purpose of the Study

The primary purpose of this study, as expressed in the City's application to the Federal Regional Council was "---to assess what administrative and organizational requirements are necessary for the City to prepare an effective development program on an annual basis." The work program was called "The Annual Development Program Project."

Another purpose of the study was to determine what response the City should make to the recent efforts of Federal agencies to administer local aid funds on a bloc-grant basis.

A major objective of the study was to help both the City administration and the federal agencies identify areas where mutual understanding and cooperation are needed, particularly, to identify areas where federal agencies need to recognize and accommodate to local requirements for decision-making in the use of federally disbursed funds.

METHODOLOGY

The Work Program in the City's application to the Federal Regional Council had three main emphasis: 1) background information on City organizations and procedures and on federal funding to San Francisco; 2) development of the concept of an annual development program - what it is and how it would work; and 3) extensive input by key local officials in developing recommendations for the Mayor.

From the beginning, it was agreed that the study would focus on recommended actions rather than on documenting need. It was assumed that local officials are fully aware of the needs described in the City's application. It was also agreed that there would be emphasis on achieving maximum effect without the need for Charter revision, and, wherever possible, utilizing existing staff to carry out new or additional function and assignments.

Originally, it was anticipated that the study financed by the Federal Regional Council would be implemented by subsequent actions of the Mayor, hopefully with the financial assistance of federal agencies. Some implementation of this study is already underway. The Mayor applied for and was granted funds to establish an Office of Community Development with an initial staff of five persons. This office was established soon after the beginning of this study. Consequently, the anticipated time for putting into effect some of the recommendations of this study has been greatly accelerated. In recognition of this, the original work program schedule was revised from time to time to reflect the activities of the Office of Community Development and other actions introduced by the Mayor subsequent to the beginning of this study. The main revision was to concentrate on developing draft recommendations at an earlier stage than had been anticipated in the beginning. A number of recommendations that were being considered early in the study were dropped because of actions that were subsequently taken. Thus, this study, rather than merely pointing out possible actions for the Mayor to take, contributed directly to some actions that have already been started or will have been started by the time this study is completed. These include a pilot program

budget, some reorganization of agencies dependent upon Federal funding and an effort to prepare a comprehensive report on community development as a background for making budget decisions on the use of federal funds.

Staff

The major staff work for this study was done by the project manager and a principal consultant working under the direction of the Director of Planning. The staff worked in cooperation with staff of the Mayor's office of Community Development and staff of the federal agencies in the Federal Regional Council. The staff met frequently with staff and representatives of the Federal Regional Council as well as with City officials and staff. The Technical Advisory Committee met on the average of once each month to review staff work and to provide direction for further conduct of the study.

ANNUAL IMPROVEMENT PROGRAMMING (AIP)

Introduction

The Community Renewal Program Study for San Francisco of 1965-66 was aimed directly at providing a capability for the City to plan and carry out physical improvements for the entire City in a systematic and coordinated way. The recommended program to meet the long-term objectives in the report were to be carried out in a series of six-year increments funded annually. The basic premise of the CRP study was a) the City should establish and abide by some overall goals and objectives for renewing and improving the City, b) the City should develop an administrative organization geared to the idea of and a commitment to carrying out immediate and longer range development and improvement objectives and, c) the City should develop a comprehensive data-gathering system capable of supplying decision makers with the kinds of information that permits or encourages the use of a total, comprehensive City-wide development and improvement strategy.

The CRP study was a major attempt to formalize a comprehensive renewal and development strategy. We know from experience that the CRP study aspired to an ideal situation and that, politically and financially, the goals were not entirely obtainable. Even so, a number of CRP proposals have been carried out: certain renewal strategies were developed; some reorganization of renewal-oriented agencies was accomplished; some reorganization of the Mayor's office occurred; and some efforts at improved data collection were begun. These responses suggest that, while the grand strategy of the CRP was and probably still is politically infeasible, there is support in the community and among City officials for approaching community development and improvement on a coordinated and comprehensive basis.

Capital improvement programming, a Charter requirement, is similar in concept to the CRP approach but it is more limited in scope. Capital improvement programming was developed in its present form prior to the

CRP study. The objective of capital improvement programming is to make sure that all proposed capital improvements are subjected to review for conformity with the Master Plan and that the most urgent improvements are done first. Priorities are established within a very limited funding goal. The CRP type of programming provides a broader context for capital improvement programming. It has been called the middle range step between capital improvement programming and effectuation of the Master Plan. In it there is a strategy for achieving definite improvement and development objectives for the community and its emphasis is on programs, not projects.

We are not advocating a return to the grand design of the CRP to carry out community development and improvement. We approached this present study with the recognition that recent changes in federal programs upon which we have relied so heavily in the past for community development and improvement compel us to consider the priority for these programs in a different light. Many of the decisions on priority once made by virtue of categorical aid funding procedures will no longer be made for us. We will have options. Hopefully, special revenue sharing, which the Congress is now considering, will provide additional funds with a high degree of local option. To gain the advantage from these changes, we must have the means for allocating funds on the basis of priority, equity and, an overall sense of where we are going.

We undertook this part of our study to determine what we might suggest to help in the allocation of funds for community improvement and development. The procedure we call "Annual Improvement Programming" is presented in the following sections.

Description of Annual Improvement Programming (AIP)

Our work program for this project called for the definition and description of an "Annual Development Program." The term, annual development program, was also used in the title of our application to the Federal Regional Council. In both instances the term was used in a very general sense to indicate what we had in mind doing.

When we did attempt to define annual development program, we found the word, "development," a stumbling block. To some who worked with us, the word "development" used together with the word "program" suggested that we were considering ways and means to pursue a deliberate building program of public works or private enterprise, such as might be done in a renewal project. The CRP approach, which we referred to above, may have resulted in an emphasis on these kinds of projects. To others, the term "development" might seem to be limited to the definition being used in the preparation of a report by the Mayor's Office of Community Development which includes FACE, redevelopment, model cities, neighborhood facilities and open space. The programming effort we had in mind was more inclusive and more directed to the problem of allocating funds for all kinds of improvements, both physical and non-physical, in the City. The word "improvement" seemed to be a less troublesome term and better suited to our purpose, so we used it instead of development. We also used "programming" rather than "program" because it conveys better the notion of the process or procedure which we will attempt to describe.

We attempted to make a one-sentence definition of "annual improvement programming" for ease of use, but we were not successful. Each attempt left too much unexplained.

Perhaps we can best state what we are striving for with an excerpt from our work program:

"There is also a need to provide a coordinated procedure that will bring together the relevant City agencies and administrators to make decisions about budget priorities for all community improvement programs. Such a procedure must of necessity recognize federal program requirements and local requirements for administration and for citizen involvement; it must attempt to bring long-

term planning decisions to bear on short-term operational plans and budget allocations; it must provide some form of program evaluation."

A Process

We began our investigation of annual improvement programming by thinking of it as a process which might be incorporated into the existing regular budget procedure. There would be three main parts to the process:

- a) The development of a plan or strategy for achieving some agreed-upon goals or objectives for community improvement;
- b) An evaluation of proposed programs or projects for community improvement or development in relation to the plan or strategy, and;
- c) A method for presenting the results of the program evaluation in terms of priorities for proposed projects or programs to be funded on an annual basis.

We attempted to identify what kinds of information would be needed for annual improvement programming and the efforts and activities that would be required that are not now a part of the regular budget process, at least not in any systematic or meaningful way. These are as follows:

1. Collection of Information:

The information that would be needed for AIP would include:

- a) Some long-range, City-wide goals and objectives for community improvement. These would be derived primarily from statements in the Master Plan and from other policy statements developed by the Department of City Planning;
- b) Some middle- or short-range goals and objectives for community improvement. These would be derived from the long-range goals and objectives, from the program

goals and objectives of operating departments and agencies, from established policies on City improvement, and from proposals for new projects or programs that occur during the budget review process;

- c) Some criteria for setting priorities for community improvement. These would be based upon consideration of the long-range and short-range goals, but they would be modified by consideration of fiscal policies, funding commitments, policy commitments and other constraints imposed by policy makers;
- d) Budget information that demonstrates the benefits of budget requests in terms of department or agency goals or objectives (cost-benefit data);
- e) Budget information indicating how department or agency goals and objectives have been met with the allocation of funds in the past (performance data);
- f) Projected long-range costs for proposed community improvement projects, such as operation or equipment costs. (More complete program budget information.)

2. Analysis, Evaluation, and Preparation of a Preliminary Report:

The object of collecting the information described above is to permit some assessment of budget requests in terms of departmental and agency goals and objectives and City-wide goals and objectives; to develop a strategy for community improvement and development that projects beyond the current budget requests into a middle-to-long-range program for carrying out identified goals or objectives; and, to formulate a preliminary, recommended allocation of funds for the coming fiscal year as the initial part of the longer range program. All of these steps mentioned involve the exercise of judgments by a number of actors and the infusion of some fiscal and political policies. How and when these judgments would be brought to bear will be more fully explained in a following section of the report called "Steps in the AIP Process."

3. Review and Comment:

The main purpose of the AIP process is to provide coordinated and related information about proposed programs and improvements in terms of program goals and priorities. A report incorporating this information would be prepared in preliminary form for review by interested citizens and city officials and opportunity would be given for expression or comment concerning the report. Proposed additions, deletions or modifications resulting from this review and comment would be incorporated into a final report.

4. Preparation and Distribution of an AIP report:

A final report would be prepared and distributed prior to the public hearings by the Board of Supervisors on the annual budget. The report would contain the information in the preliminary report modified by changes resulting from the preliminary review and comment and by the Mayor's fiscal policy on the proposed budget. The AIP reports are more fully described in a following section.

In summary, annual improvement programming is a process by which we would hope to achieve a more comprehensive, better coordinated, and more forward-looking approach to allocating funds on a regular basis for improvement programs in the community than we now have.

At this point, we can only suggest what we mean by "improvement." We include both physical and non-physical programs or projects that provide substantial City-wide benefit. Thus, a program for anti-drug abuse would be considered an improvement; a street-lighting program would, also. An improvement could be a new program or effort, not tried before, or, it could be the continuation of an existing program or effort. In either case, it would represent a substantial outlay of funds. There are other characteristics we might suggest but, a strict definition of "improvement" is not feasible at this stage. What constitutes an "improvement" would be determined by experience in actual application. Through experiment in the development of criteria to determine what is included and what is not, a working definition of "improvement" would emerge. The present definition of "improvement" in capital improvement programming was developed in this manner and the definition continues to change as circumstances and criteria change. What is more important at this stage

is an understanding that "improvement," whatever that includes, is carried out through programming. This programming, the procedure for doing it, is what we have attempted to describe in the following sections.

Steps in the AIP Process

AIP would be primarily the Mayor's responsibility. However, the responsibility would have to be shared by all City agencies and departments and by many of the officials and staff engaged in the regular budget process.

The steps in the AIP procedure should fit, if possible, into certain key events in the regular budget procedure; otherwise, Charter revision might be necessary to allow changes in Charter specified dates for submitting budget information. There are other key dates established by ordinance or by practice which should also be taken into account. These key dates and events include the following:

- *July 1 - Start of fiscal year. Budget adopted by Board of Supervisors goes into effect.
- July 15 - Six-year capital improvement program must have been adopted by Board of Supervisors.
- *Sept. 15 - Tax rate must have been set by Controller.
- *Oct. 1 - (First Monday in October) Mayor delivers "Status of City" message to Board of Supervisors.
- *Oct. 1 - Capital improvement projects must have been submitted to City Planning Commission for review.
- *Jan. 20 - Capital Improvement Program must have been adopted by City Planning Commission.

*Specified in the Charter

- *Feb. 1 - Budget requests for the coming fiscal year must have been submitted to Controller
- *Mar. 1 - Consolidated budget requests must have been submitted by Controller to Mayor.
- Mar.15 - Capital improvement projects priority recommendation by Capital Improvement Advisory Committee.
- *Apr. 15 - Budget for fiscal year must have been delivered to Board of Supervisors by Mayor with "budget message."
- *May 15 - June 1 - Budget adopted by Board of Supervisors (following public hearings, Board may not act on budget prior to May 15 or later than June 1).
- Jun. 15 - Five-year Capital Improvement Program recommendations by Capital Improvement Advisory Committee.
- *Jun. 20 - Last date that Board of Supervisors can act on a budget veto by Mayor.

Taking into account the key dates and events in the regular budget procedure presents a tight schedule for the AIP process. The steps in the procedure and the time frame for it would be as follows:

1. March/April

- (a) Mayor's staff issues requests to each department or agency for information required for the preliminary AIP report such as the kind of information that would be included in annual reports, work programs or budget justifications.

2. April/June

- (a) Information collected from departments and agencies (Step 1) would be assimilated and set into preliminary

*Specified in the Charter

form by Mayor's staff (departmental goals and objectives, past accomplishments, areas of emphasis, etc.)

- (b) Mayor's staff would develop preliminary analysis in terms of City-wide goals or objectives and a tentative development strategy. (Major input by Department of City Planning; coordination with CIP)

3. July/August

- (a) Mayor's staff circulates preliminary information to:

Department of City Planning for

Review and comment on long-range development goals and objectives; recommendations on program planning and effectuation.

Capital Improvement Advisory Committee for

Review and comment on relation of preliminary information to adopted long-range capital improvement programs; recommendations for program effectuation.

Chief Administrative Officer for

Review and comment on preliminary information on departments and agencies under CAO's jurisdiction.

Operations under Mayor for

Review and comment: Model Cities, Criminal, Justice, Manpower, Economic Development, Aging, Youth, etc.

Controller for

Review and comment; and recommendations re anticipated revenues, tax rate, etc.

Budget Analyst, Board of Supervisors for

Review and comment; critique re fiscal policies of Board and pending action by Board of Supervisors that may effect development policies.

4. September/October

- (a) Mayor's staff prepares preliminary AIP report; Mayor issues report and presents it in his "State of City" message to Board of Supervisors; report is widely distributed to all interested individuals, groups and agencies. Written comments are solicited.

5. October/February

- (a) Mayor's staff meets with departments and agencies concerning budget requests and preliminary AIP report; and reviews CIP report with the Department of City Planning; Mayor's staff also meets with community groups and organizations concerning community development policies and programs and the preliminary AIP report.

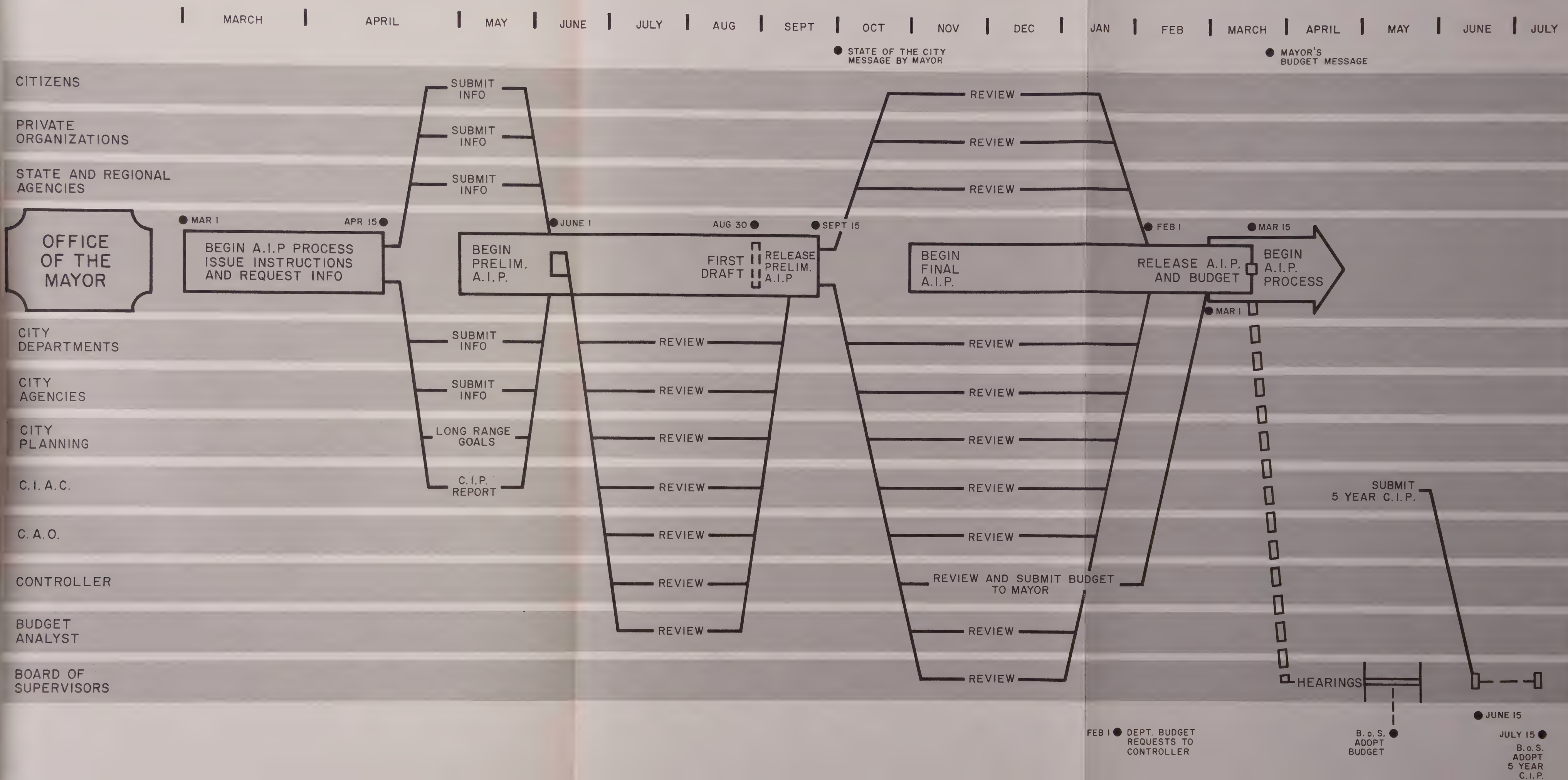
6. March/April

Mayor holds a series of budget hearings; receives recommendations of CIAC; issues final AIP report along with recommended budget and budget message to Board of Supervisors.

The foregoing is an outline of the steps in the annual improvement programming procedure. Chart A, following, illustrates the procedure.

ANNUAL IMPROVEMENT PROGRAMMING PROCEDURE

CHART A



The AIP Reports

The product of the AIP process is a series of reports describing some City-wide goals and objectives for community improvement and development and a proposed strategy for achieving these goals and objectives. The reports would be specific in describing the nature and the cost of programs that are to be included in the overall development strategy and the immediate fund allocations required as well as estimates of future funding requirements.

We have suggested that two AIP reports would be necessary; a preliminary report and a final report. Both reports are intended for use by elected and appointed officials and interested citizens in further consideration of annual budget requests. Both reports would be advisory and would not require formal adoption although formal adoption would be desirable.

The two AIP reports, the preliminary and the final, would serve the following purposes:

- a) To set forth some community improvement and development objectives or policies;
- b) To indicate a possible strategy or strategem for carrying out community improvements and developments over a period of time;
- c) To provide more detailed information on the costs and benefits of proposed community improvements and developments;
- d) To indicate the Mayor's policies on community improvement and development and;
- e) To furnish the basis for planning and budgeting for the next fiscal years, i.e., the year following the budget effective July 1, each year.

With existing planning and budgeting procedures it is difficult for City officials and citizens alike to have a comprehensive view of City improvement policies and programs and to be able to relate these to the proposed expenditures in the annual budget requests. The preliminary

AIP report would attempt to present not only a comprehensive statement on city development and improvement policies and programs but to present it annually in relation to consideration of priorities for the annual budget. Although development and improvement policies exist in one form or another and to some extent are considered in budget decisions, there has not been any systematic attempt in the past to identify and make explicit how proposed expenditures relate to carrying out community improvement policies and objectives.

Hopefully, the preliminary AIP report would provide a more complete understanding of the implications of following a definite strategy for community development and improvement. The preliminary report might also indicate the fiscal policy the Mayor intends to pursue in regard to community development and improvements. The purpose of this would be to influence the budget submissions of the various departments and agencies and also to elicit response from interested citizens who may want to change the Mayor's policies or priorities.

Following is a suggested outline of what a preliminary AIP report might contain:

A. Introduction:

Purpose of report; discussion of general City-wide goals or objectives for community improvement and development;

B. "State of City" message:

Major efforts of past year in community improvement and development; general financial picture; discussion of requests for funds vs. expected funds; areas of major concern that must be considered in next budget; recommended strategy for meeting immediate and longer range community development and improvement goals and objectives, including a general fiscal policy to be pursued.

C. Summary of Efforts by Departments and Agencies:

Presentation by categories of functions, if possible, e.g.; Transportation, Housing, Health Services, etc.; highlights of past year(s) efforts with emphasis on goals and objectives; comparison of last 2-3 years' budget requests and approved budgets (by totals); major problem areas, constraints or conditions (e.g., requirements of State agencies for pollution control); some analysis of where spending must be cut down, increased, etc.

For the final AIP report the following is a suggested outline:

- A. Introduction:
General discussion of goals and objectives; discussion of development and improvement strategy forecasted in preliminary AIP report.
- B. Recapitulation or highlights of recommended expenditures:
Explanation of allocation of funds in Mayor's proposed budget by general category or area of emphasis, (e.g.; Transportation, Housing, Etc.); relation of recommended expenditures to meeting general goals and objectives and to fiscal policy.
- C. More detail of proposed expenditures by general category or area of emphasis.

Role of the Department of City Planning

During the past three years, the Department of City Planning has issued a series of reports on the Master Plan. Some of these reports upgrade sections of the Master Plan; others set forth long-range goals and objectives for community development and improvement which can be used as guides for the effectuation of the Master Plan. These reports include: South Bayshore Plan, Plan for Residence, Urban Design Plan, Plan for Transportation, Recreation and Open Space Plan, Conservation Plan, Chinatown Study and Northern Waterfront Plan.

The Master Plan reports and the policies reports of the Department of City Planning would be the basis for the development of more specific targets and criteria to be used in the preparation of annual improvement program reports by the Mayor's office. The translation from long-range goals and objectives to shorter range strategies and criteria would be accomplished in the annual improvement programming process through the joint efforts of the Department of City Planning staff and the Mayor's

staff. The shorter (middle) range strategies and criteria of the annual improvement program would reflect a reconciliation between the long-range goals and objectives and the program goals and objectives of city departments and agencies which, in turn, would be expressed finally in terms of priorities for the annual budget.

Constant feedback would have to occur in the improvement programming process between information suppliers, policy shapers and policy makers. The process would be similar to the present capital improvement programming process, except that it would be more comprehensive. This cycle, from specific programs to long range and back again, would not occur neatly or completely, but it would occur to some extent, and the extent to which it did occur would be indicative of the success of the effort to do annual improvement programming.

Preparation of an annual improvement program would be a way to carry out or achieve long-range goals, policies, and objectives of the Master Plan. It could also be an additional way to review and update the Master Plan since the annual improvement program reports would reflect, theoretically at least, the public actions being taken or proposed to improve or maintain good living conditions in the City.

AIP in Theory and in Practice

The foregoing description of annual improvement programming is theoretical since it has not been tried. We have described what we think could be done with annual improvement programming if we could obtain sufficient information and present it in the manner proposed.

We know there are constraints and conditions that would modify our ability to do AIP as we have described it. Among these constraints are the Charter limitations on the Mayor's budgetary authority which exempt some large budgets, such as the budget of the Board of Education from the Mayor's review. Other limitations include restrictions on increasing budget requests or adding new items to departmental request. These and other limitations have been described in the background paper entitled "Inventory of Existing Municipal Management Mechanisms." We think that these limitations are not sufficient to render ineffective an AIP effort. In fact, we might say that AIP is needed partly because of these limitations.

AIP, as we have described it, depends to a great extent upon our ability to organize budget information into program form, a form which does not follow existing budget procedures. The effort to begin a pilot program budgeting procedure which the Mayor and the Board have authorized will help correct this situation in time, but, if we were to begin AIP immediately, we would begin without the benefit of program budget information being readily available.

Meeting the time schedule for certain actions in the AIP process, as we have described it, will be difficult to achieve. Procedures will have to be tried and tested but, more importantly, a great deal of initial effort will be required to identify and describe, in useful form, city-wide goals and objectives and to develop ways and means to meet these goals and objectives. It is easy to talk about goals, objectives and criteria, but it is difficult to translate them into specific actions. There will have to be a certain arbitrariousness employed in any attempt to select goals and criteria as well as to translate them into action; the initial attempt may be more arbitrary than future attempts based upon experience.

We had anticipated, as a part of our work program, testing the concept of annual improvement programming, as we have described it, in an actual run through for one category of city programs and services. Initial efforts to do this, with the category of Health Services, indicated that, 1) the effort would take more time than could be spent on it; 2) other work was more urgent at this stage of the study and; 3) the main problem with putting into effect some form of annual improvement programming as far as City departments and agencies are concerned will be providing the Mayor's office with the information required at the time it is required.

The Mayor's staff is now preparing a report on how certain federally assisted programs should be used in the future. Included are the programs for Federally Assisted Code Enforcement (FACE), redevelopment, model cities, open space and community facilities. This report, which is scheduled for completion in October, may well constitute and define the initial area of concern for the review and evaluation process we have called annual improvement programming.

CONCLUSIONS

We made no startling discoveries in our study. Our assumptions in the beginning about our own needs were generally confirmed; we are not very well prepared to administer bloc grant funds or to set priorities for community programs within available funding limits although we are generally better prepared now than we were when we began the study. We found that other cities are coping with similar problems and we attempted to profit from the experience of their efforts.

We found that information on federal spending in San Francisco is even more difficult to obtain than we thought it was, and we found that federal agencies are no better organized and equipped to coordinate and plan than we are. We did find some areas of mutual concern with federal agencies and we made some progress in working out procedures for getting the kind of information and help we need. We think we now have a better idea of what to expect from federal agencies on bloc grant and special revenue sharing requirements. We hope as a result of this study that the federal agencies will know better what to expect from us. We know little of what to expect from state agencies but we are convinced that large cities such as San Francisco will have to exert vigorous effort to get their fair share of federal funds that will administer through state agencies.

We have some specific recommendations for improving our capability to plan for and carry out programs for community improvement and development. None of these recommendations would require Charter revisions or major disruption of existing organization and procedures. They would, if carried out, entail a substantial effort by the Mayor and his staff and would undoubtedly require additional staff for the Mayor and perhaps other city agencies.

We have recommendations on specific agreements or areas of understanding with federal and state agencies which we urge the Mayor to pursue.

Our recommendations, with some explanations, follow.

RECOMMENDATIONS

1. THE MAYOR SHOULD ISSUE ANNUAL REPORTS THAT PROVIDE GUIDELINES FOR THE ALLOCATION OF FUNDS FOR MAJOR COMMUNITY IMPROVEMENT PROGRAMS

We began our study with the assumption that the City needs improved procedures for allocating funds for community improvements, particularly since federal revenue sharing has begun. We also began with a concept of program planning and fund allocation which we termed "the annual development program," a concept which was presented in the Community Renewal Program study of 1965. We think the objectives of the CRP study were good, but the means proposed to achieve them were beyond the City's capability in 1965 and still are to some extent. We therefore attempted to describe a procedure for programming City improvements that would fit into our regular budget process and would not require a major reorganization of City government or costly data gathering and processing operations. The procedure we have described may also be beyond our capability to achieve immediately, but it is one which we can work toward and can achieve in time.

We feel that our recommendation that the Mayor should begin issuing annual reports on community improvement programs is timely for the following reasons:

- a) The Mayor recognized the need for new management and decision-making procedures for the allocation of funds in his annual "state of City" message to the Board of Supervisors in October, 1972; the annual reports would help in making decisions on the allocation of funds;
- b) The City's first experience with the allocation of shared revenue funds has demonstrated the need for a continuing procedure for the allocation of bloc grant funds;

- c) The City's first attempt to allocate funds from shared revenues involved wide-spread citizen review and input. This participation in community improvement programming should continue. Annual development programming would provide an additional opportunity for citizen participation in community improvement programming and the budget procedure.
- d) The Mayor's Office of Community Development is now preparing a report on new directions for the use of Federally assisted programs including FACE, redevelopment, open space, community facilities and model cities. The preparation of this report will make a good beginning for an annual improvement programming procedure.
- e) The Mayor and the Board of Supervisors have already approved plans to conduct a pilot program on program budgeting. Program budgeting would greatly enhance our ability to do annual improvement programming.
- f) The Department of City Planning has completed a series of reports on the Master Plan which provide some community development and improvement goals and criteria. These reports ought to be used to develop specific targets for achieving Master Plan goals and objectives;
- g) The Charter requires a Mayor's report annually on the "State of the City" in October, and on his proposed budget in March. The occasion of these reports provides an opportunity for the Mayor to present a proposed annual improvement program for the City.

We have concluded that while it may not be possible to put into effect immediately annual improvement programming as we have described in this study, it is both possible and desirable to begin a procedure which provides a programatic approach to the allocation of funds for community improvement and development. We need not search for nor wait for sophisticated information gathering devices before we begin. Time and practice will improve our procedures and our results.

The allocation of funds for community development and improvement is not the prerogative of a system or a procedure; it remains the prerogative of elected officials whose collective judgment is the final determinant. Annual improvement programming would, hopefully, assist the decision makers in making a choice and in setting priorities for the use of available funds. It would be an extension of the regular budget process, providing additional opportunity for elected official and citizen alike to consider annual requests for funds in the light of overall community needs both for the present and for the future.

The process we recommend is essentially one of collecting information on existing and proposed community improvement programs in a manner and in time for the information to be useful in making decisions on the allocations of funds each budget year. It would be similar to the effort made in 1972-73 to establish priorities for the allocation of the City's first "shared revenue" funds but, it should include all City funds, not just those from Federal or State sources. We think the annual improvement programming procedure should culminate in easy-to-understand reports which describe a strategy for community improvement and development and priorities for implementation. We think the two reports required of the Mayor by Charter can be used as an occasion to present the annual improvement program strategy and policy. A preliminary report could be presented in October with the Mayor's "State of the City" message and a final report could be incorporated with or issued simultaneously with the Mayor's budget message in March. The annual improvement programming cycle would begin anew following the final report in March.

Staffing

Annual improvement programming would involve many of the staff and officials who have responsibilities in the regular budget process. Department heads would have to furnish additional information. The Capital Improvement Advisory Committee (CIAC) would have to reconcile the long-range capital improvement program with the annual development program. The Controller's help would be needed in obtaining some of the information required.

The Department of City Planning staff would play an important role in the development of strategies and programs to meet long-term goals and objectives for community development and improvement. This role was described in the section on "Annual Improvement Programming." The Planning Department now furnishes the basic staff for the Capital Improvement Advisory Committee (CIAC). Because of the experience of the present CIAC staff in capital improvement programming and its recent involvement in the allocation of shared revenue funds, we think the CIAC staff could and should play a key role in developing the procedures to be used in annual improvement programming, as well as in having a part in decisions on programming and strategy. This could mean that one or more additional staff would be required to meet the increased workload. We have developed an estimate of new staff costs in the section, "Staff Costs," following the recommendations.

The ultimate responsibility for annual improvement programming would fall upon the Mayor's staff. It is fortunate that, subsequent to the beginning of this study, the Mayor established an Office of Community Development which added the kind of staff capability to the Mayor's office that is required to undertake an effort like annual improvement programming.

Annual improvement programming calls for a team effort of planning, programming, and budgeting personnel. Experience will show how much staff time is needed for annual development programming but we think the initial effort can be accomplished by existing staff in the Mayor's office, the Department of City Planning and the new staff recommended for the central control and clearinghouse procedure in the Mayor's office (Recommendation No. 2).

2. A CENTRAL CONTROL AND CLEARINGHOUSE FOR STATE AND FEDERAL FUNDS SHOULD BE ESTABLISHED IN THE MAYOR'S OFFICE.

To provide more effective coordination, improved planning and more effective utilization of available state and federal funds, a central control and clearinghouse procedure should be established in the Mayor's office. The central control and clearinghouse would provide:

- (1) Pre-application review and comment by city officials, by non-city reviewing agencies, and concerned private and non-governmental groups and organizations.
- (2) Expedition of applications through processing and follow-through assistance until applications are acted upon by state or federal authorities; assistance in preparation and processing of federal or state/city contracts; and, initiative in seeking federal and state funds.
- (3) Accumulation of data on federal and state funding and analysis of local programming and funding requirements to support assisted projects.

The move to revenue sharing was preceded by a series of moves by the Executive Branch of the Federal Government to require the direct involvement of local chief executives in the programs or projects funded with federal funds. The intent of these efforts is to promote central control and accountability. Thus, we have such measures as "Chief Executive Review and Comment" (CERC), "Annual Arrangements" and "Planned Variations." At the same time we have seen the philosophy of control on the model cities program move away from emphasis on citizen control to a high degree of executive control. The same is true with the EOC program which was established with a high degree of independence from executive control. We can anticipate that in all categories of special revenue sharing which may be authorized by the Federal government there will be an attempt to insist on strong measures of executive control and accountability.

Even if the Federal Government were not exerting these pressures, it is our judgment that we need to establish more control over funding application and processing. Our experience with the categorical program funding of the 1960's should not have to be repeated with new federal aid programs. We experienced frustration and delay, had to meet unrealistic deadlines, submit hastily prepared applications and, we encountered a great deal of uncertainty about the status of not only our applications but also the availability of funds and the regulations for administering them. The change from categorical aid funding to general and special revenue sharing will, hopefully, eliminate some of the problems we experienced in obtaining and using federal funds. There remains, of course, the absolute necessity for the federal and state agencies to follow through with the spirit of revenue sharing by eliminating much of the red tape of the categorical aid programs.

There are problems at our end, too, and it is these that we propose to handle through the establishment of a central control and clearinghouse for state and federal fund applications.

We recommend that the Mayor assign members of his budget staff and his Office of Community Development staff to the task of setting up a central control and clearinghouse procedure. The members of the Technical Advisory Committee for the Flexible Funding Project and its staff will cooperate and assist, as requested, within the funding and administrative limits of the project. We suggest that the Mayor also seek the help and advice of the Intergovernmental Affairs staff of the City of San Jose. The San Jose staff has been very cooperative with us thus far in sharing information and the benefit of their experience. They have indicated to us a willingness to continue with help and assistance as they are able to give it.

In the following sections we offer some comments and suggestions on the nature and benefits of a central control and clearinghouse procedure.

Pre-Application Review and Comment

In our investigation of how other cities are handling control of federal funding we found that a number have established review and comment procedures. The "Chief Executive Review and Comment Procedure" is the title for a federal program instigated in twenty cities in 1971-72.

"CERC", as it is called, is an agreement between a local government and the federal agencies for processing applications for federal funds. The local agency establishes a pre-application review and comment procedure which must be followed by all local agencies seeking federal funds. The federal agencies (usually through regional councils) agree not to consider or process any applications unless and until such applications have cleared the CERC procedure. The procedure varies among cities.

We think a CERC type of procedure should be developed for San Francisco. The CERC procedure assures that all interested parties are aware of pending applications and provides them with the opportunity to ask questions or to obtain clarification before action is requested of the legislative body or chief executive.

The review procedure would have to be formalized and channeled; otherwise there would be excessive delay and probably much wasted effort. In San Jose, review by citizen groups has been confined to organizations which represent community-wide interests and memberships. We suggest that the final judgment on pre-application review should be exercised by a panel of city officials who have the benefit of the staff's work and the response of all agencies, both public and private, that have reviewed the application. This would be similar to the "A-95" review conducted by the Association of Bay Area Governments (ABAG).

Pre-application review may not appeal to all applicant agencies since it presents the prospect of delay and controversy. Given the competitive nature of categorical aid funding in the past, some city agencies will, understandably, be reluctant to disclose their intention to file an application for fear competing applicants will get the jump on them. Central control on application processing would not eliminate competition but it would assure that all applications would be reviewed in the context of city-wide fiscal and political policies. With the pre-application review procedure it would be possible for administrative officials and elected officials to better anticipate the possible fiscal, administrative and even political consequences of a proposed application in relation to programs that are already under way or for which applications have been approved. For example, pre-application review might disclose that an application for a particular project is dependent upon the City's providing matching funds in an amount that, together with other approved or pending applications requiring matching funds, could not be provided without increasing

the tax rate. This fact might be sufficient to delay the submission of the application until additional City funds are available. We wish to emphasize that we are not recommending that the central control and clearinghouse staff exercise judgment on priorities; rather, that the process of review may disclose information that will have a bearing on whether the Mayor and the Board of Supervisors will approve the application. Thus, the central control and clearinghouse procedure may affect the priority of a particular funding application. However, we feel that such pre-application review is necessary to achieve better management of all funds and programs available to the City. We have suggested in Recommendation No. 1 how we might improve our ability to establish city-wide priorities on an annual basis. The central control and clearinghouse procedure would, we feel, be an essential part of our total effort to improve our coordination of planning and management.

We recommend, then, that a pre-application review and comment procedure similar to the CERC procedure used in other local jurisdictions be established as part of the central control and clearinghouse function in the Mayor's office. This procedure should be one that suits our needs and fits our requirements; it should not be predicated on meeting requirements of federal or state agencies.

Expedition of Application Processing

We recommend that the central control and clearinghouse staff provide assistance in the processing of applications for federal or state funds. This assistance would include the preparation and processing of contracts resulting from approved applications. We do not intend, by our recommendation, that the applicant agencies could not handle the processing of an application if said agency has the staff and experience to do it. The Redevelopment Agency, for example, has staff that is experienced in application processing. Most City agencies, however, could benefit from having expert assistance in processing applications. Since most applications for federal or state funds will have to eventually pass through the Mayor's office for review and approval, it seems advantageous to us if the primary reliance for application processing, particularly the follow-through with federal and state agencies, is on the Mayor's staff. We should point out that assistance from the central control and clearinghouse staff would not necessarily relieve City agencies

of the responsibility for staff work within the agency. In fact, the applicant agency would retain the responsibility for the content of the application and for revisions that might be necessary in order to get the application processed through federal or state agencies.

Another important function that could be performed by the central control and clearinghouse staff would be the preparation and processing of contracts resulting from approved applications. This has been and will probably continue to be a time-consuming task because of the complicated local, state and federal requirements. There has not been sufficient City staff to perform this function adequately. Much can be done to reduce the time and the complication of contract preparation and processing with the use of staff that is assigned full time to this responsibility.

We need to have a more uniform procedure for the preparation and processing of contracts between the city and state and federal agencies. We need to reduce some of the red tape in our own procedures as well as attempt to reduce the complications of state and federal contract requirements. We think that the central control and clearinghouse staff could provide a needed service by working out uniform procedures for contract preparation and processing with the Controller, the City Attorney's office, the Mayor's office and the Board of Supervisors. This would do much to expedite paper work. There should be a central file kept up to date on the progress of all contracts between the City and federal agencies. This file should include memoranda of understanding, progress reports and other information showing the status of the active contracts, in addition to the usual accounting documents. The staff maintaining the file would be able to provide on short notice the exact status of all outstanding contracts. We are not suggesting that this activity replace the accounting and monitoring done by applicant agencies and the controller's office, nor are we advocating that the central control and clearinghouse staff exercise any policy decisions on contract performance. Our interest is in having a uniform procedure

for contract preparation and follow-through at a central point where information concerning the status of contracts can be easily obtained.

A further important function for the central control and clearinghouse could be the initiation of applications for federal and state funds. We know that a number of cities have staff whose primary responsibility is to seek funds from state and federal agencies. San Francisco has not had a staff assigned specifically to this function. With the cutbacks in certain federal programs already in effect and those anticipated, the competition for the available federal funds among local governments will be greater than it is now. The central control and clearinghouse staff could, in time, become expert not only in the review and processing of applications but also in knowing how and where to obtain funds that local operating agencies and elected officials may not be aware of. We do not advocate that we try to get federal and state funds simply because they are available. We recognize, however, that there may be financial assistance which we could use for programs or efforts which we have already started, or which we anticipate starting, which we may not know about simply because no one has been assigned the responsibility to find out about this assistance. We urge that such an assignment be given to the central control and clearinghouse staff. However, the function should be one of providing information to the appropriate applicant agency; the central control and clearinghouse staff should not act unilaterally in seeking state or federal funds.

Accumulation of Data

There is no single source either in local government or federal government where one can now get a comprehensive picture of the federal funds coming into the City and how these funds are used. We think it is important that we have such information if we wish to improve our advance planning and programming capability. For this reason we recommend that an added function of the central control and processing staff would be to establish data-gathering procedures in cooperation with the Controller's office and that such information be compiled into quarterly reports or in a manner that permits a comprehensive presentation of the inflow and status of federal and state funds.

The success of this effort will depend to a large extent upon the cooperation and assistance of federal and state agencies. We have already begun, with this study, to develop the cooperative efforts needed between the City and federal agencies. We asked for, and obtained, the services of a fiscal expert from the Department of Housing and Urban Development who is working with us to determine our information needs and how this information might be supplied. We have asked for technical assistance from the Federal Regional Council to help obtain comprehensive information on federal funds coming into the City. We would also like to have information on federal expenditures for federal purposes in San Francisco. In recommendation No. 4, we have suggested ways in which these cooperative efforts might be continued and increased as we develop more precisely our information needs.

The information on federal and state funding collected by the central control and clearinghouse staff would be useful in several ways:

- (1) We could make better judgments on development and improvement strategies if we had a more complete knowledge of the distribution of federal and state funds in the city and a means of forecasting anticipated revenues in coming years. (A large amount of federal and state funds go directly to non-governmental organizations.)
- (2) We could better anticipate our own local funding requirements if we had up-to-date estimates of local commitments of federal or state funds.
- (3) A better picture or idea of the total effort being made in the city to fund programs and projects could influence the judgment of both citizens and elected officials on the priority of particular projects or programs.
- (4) Federal and state agencies might be more receptive to local proposals for procedural changes or funding requirements if we could provide them with current information on federal and state funding in relation to local needs and local funding capability.

The initial task for the central control and processing staff would be to establish information collection procedures. The efforts we have made in the conduct of this study should provide a useful beginning.

Staffing

Ideally, the central control and clearinghouse operation would be conducted by a staff that could devote full time to the effort. We have no way of knowing in advance what the workload will be on pre-application review and on review processing. The Federal A-95 review requirements lists over one hundred federal programs that must be included in the federal review process. If the City were to adopt the A-95 procedures, as some cities have, the volume of applications to review would be burdensome. In the judgment of San Jose officials, based upon experience there, we would need a minimum of six persons experienced in analysis, research and planning to accomplish the duties we have in mind. Assuming that an additional staff of six persons will be needed in the Mayor's office to manage the central control and clearinghouse duties, we estimate the annual cost of this staff, including operating costs, to be approximately \$150,000. Hopefully, a portion of this staff could be obtained by the reassignment of staff now employed by the Mayor. We suggest that the Mayor attempt to get federal assistance, as other cities have, to establish the central control and clearinghouse staff, but, we strongly recommend that the procedure be established as a permanent operation and that we look to local, rather than federal, finances to continue the operation. If our judgment about the necessity for the central control and clearinghouse procedure is correct, the cost of a permanent staff to run it will be more than off-set by the benefits that will be gained.

3. BUDGETING PROCEDURES SHOULD BE INITIATED AND ENFORCED WHICH WOULD PROVIDE BETTER BUDGET INFORMATION THROUGH REPORTS, ANALYSIS AND PROGRAM BUDGETING; AND MORE REALISTIC BUDGETING BY PERMITTING GREATER ADMINISTRATIVE FLEXIBILITY IN BUDGETING BUT GREATER RESTRICTION ON THE USE OF SUPPLEMENTAL APPROPRIATION REQUESTS.

Budget documents generally contain only the information necessary to present the costs of items being asked for. They are primarily accounting documents. A line item budget, such as San Francisco's, is not very useful to the uninitiated or to the person seeking more information than simple dollar amounts. Although budget item justification language is required as part of the budget request, the information is often not sufficient to be self-explanatory. The size of the working budget makes it unhandy for popular use and the printed summaries such as the newspaper editions and the appropriation ordinances contain little, if any, information about the line items listed other than cost.

We have recommended one way to improve the budget information to make it more useful and meaningful to City agency staff and personnel as well as the general public. This is through the annual reports by the Mayor on community improvement programs. (Recommendation No. 1)

Another improvement in budget information will occur as a result of the pilot program budget project authorized by the Mayor and the Board of Supervisors beginning July 1, 1973. Although details have not yet been worked out, we anticipate that the pilot project will include the development of a budget format that presents budget requests in programmatic form.

The Mayor and the Board's action on the pilot program is timely. The annual improvement program procedure we have recommended is basically a program approach to fund allocation. We concluded from our study of annual improvement programming that program budgeting is needed for the annual improvement program process and we think for other reasons as well. We recommend that there be close cooperation and interchange between the staff preparing the annual improvement program and the staff preparing the pilot program budget.

We urge that the staff and information requirements for annual improvement programming be taken fully into account as part of the requirements for an effective program budgeting effort.

A third way to improve budget information is to enforce the Charter requirement that each department or agency prepare a work program which outlines how the requested budget will be used. The Mayor issued a directive to this effect in 1972 but most departments had difficulty in responding. Some departments do prepare work programs on a regular basis but many do not. There has not been much incentive to do so since work programs have not been required by the Board of Supervisors for budget justification. However, we see the preparation of work programs as one of the steps in improving our budgeting and management procedures and of significant benefit to the effort of the Mayor to prepare annual improvement programs.

For some large departments, such as Health and Social Services, preparation of a work program will be a more difficult task than for smaller, non-service departments, such as the Art Commission. Yet, in the preparation of the annual budget all the elements of a work program must be considered. A work program is simply a way of organizing budget information according to programs and time schedules in contrast to items of expenditures.

The benefits of work program preparation, as we see it, are three-fold. First, it would give the preparing department a much better overall view of the entire operation of the department. It is possible that in large departments even the top administrators do not have a comprehensive overview of all the departments' operations. Second, the work program would provide a much more understandable and readable budget explanation than the regular budget document does. The interested citizen and city officials alike could benefit from having budget information in this form. Finally, the work program could and should become

a control document for the Board of Supervisors when reviewing departmental budget requests, including supplemental appropriation requests. We recognize that some departments will need advice and assistance in the preparation of work programs. This could be accomplished in part by establishing some uniform requirements with instructions and sample forms, but, for most agencies, lack of staff to prepare the information will be the problem. We recommend that these staff needs should be documented as part of the pilot program budget project, described above.

Finally, a means of improving budget information might be accomplished by the expansion of the Controller's Annual Report which is required by Charter. The report, now issued approximately six months after the adoption of the fiscal budget, contains audit reports and charts showing the City's financial standing. We think it would be beneficial if the report could include more on the future financial picture of the City, showing, for example, a projection of the current levels of expenditure for a five-year period and some comment on the relationship of these projections to the annual tax rate. The projections would indicate not only the cost of services but also the rate of increase. The report should also include a summary of the federal or state funds currently encumbered in the Controller's accounts, and if possible, those state or federal funds which come directly to a city agency or department which are not reflected in the annual budget. This accounting and reporting would have to be a cooperative effort by the Controller's office and the Mayor's central control and clearinghouse staff. If the central control and clearinghouse unit is established in the Mayor's office, as we have recommended, information on special funding; i.e., state and federal sources, would be collected and this information could also be reflected in the Controller's annual report. How the information is presented in the report would be the prerogative of the Controller.

Restrictions on Supplemental Appropriation Requests

We recommend more restriction on the use of supplemental appropriation requests in the budgeting process. We think that the present heavy reliance on supplemental appropriation requests in budget administration defeats the objective of achieving better management of expenditures for community improvement programs, which has been the concern of our study, and we think the practice generally promotes or contributes to unrealistic budgeting.

There is no question but that there is a great deal of reliance on supplemental appropriation budgeting in San Francisco. In fiscal year, 1972-73, there had been submitted, as of June 1, 1973, more than 590 separate requests for the Mayor's approval. These requests involved as many as 140 items in a single request and they ranged in amounts from \$700 to \$8 million. The figures for 1972-73 are unusual and there are perhaps unusual circumstances that account for the large number of requests, such as a number of projects to be financed from shared revenue funds which were available for the first time in 1972-73. In previous years the average number of requests have ranged from 300 to 500. A majority of these requests have been approved.

We did not develop figures on the cost of processing supplemental appropriation requests although we know that the cost is so significant that consideration of cost alone is sufficient to warrant efforts to reduce the number of requests. Approximately seventeen steps are involved in the processing of a supplemental appropriation request if it goes through the complete process; each request involves the time of a number of senior staff, not to mention the time of elected officials and the expense of a public hearing.

The Mayor and the Board of Supervisors have attempted to restrict the use of supplemental requests by exercising a tight policy on approvals but, the figures quoted above indicate that the number of supplemental appropriation requests is increasing, not diminishing. We think this is the result of unrealistic budgeting. Certainly the history of large surpluses in unexpended funds at the end of each year indicates a lack of realism or at least a lack of proper information somewhere in the budget process. The fault seems to be in the process; unrealistic budgets are submitted and unrealistic budgets are approved. A cycle of cause and effect is in motion which will likely perpetuate itself unless there are some basic changes in budgeting policies.

How can more realistic budgeting be achieved which also permits the Mayor and the Board to maintain tight control over spending? We do not know the complete answer but we have suggested that one way to achieve more realistic budgeting is to have better budget information, and we have suggested several ways better information might be obtained. One way is to enforce the preparation of departmental work programs as part of the budgeting process. Work programs could be used effectively, we think, in budget control and administration if they were to be used by the Mayor and the Board in reviewing budget requests. By approving a budget based upon a work program, the Mayor and the Board could expect more rigid adherence to the approved budget provided, of course, an adequate budget is approved in the first place.

The performance or program budget pilot program which the Mayor and the Board have approved should provide a further means of improving budget information, particularly evaluative information such as cost-benefit data and past performance analysis.

More Budget Flexibility

Closely related to the frequent use of supplemental appropriation requests is the lack of flexibility a department head has in spending within authorized budgets. Even with the best of planning, unforeseen and unusual circumstances arise which require a change in approved budgets. Provisions are made in the budget for emergencies which regularly occur in departments such as the Department of Public Works. Some flexibility is accorded to all departments for transfer of funds within an item of expenditure, such as equipment. Other than this, the Board of Supervisors exercises a very strict policy on budget transfer. Many supplemental appropriation requests occur because departments need to change budget items but can only do so through a supplemental appropriation request. How can the Board of Supervisors achieve the desired control over spending and yet avoid the necessity for reviewing each requested change? Again, we suggest that adherence to a work program based budget may be the answer. Departments would, on the one hand, be expected to live strictly within the approved budget. On the other hand, they would be accorded flexibility within the approved budget, subject to the approval of the Controller. If the Board of Supervisors had a specific policy to enforce, the Controller would, of course,

be guided by it. For example, if the Board had a policy that every department head authorized an automobile shall have a compact automobile with standard equipment, no department head could transfer funds from another account to buy a more expensive type of automobile.

We think greater flexibility to departments in budgeting can be permitted if more realistic budgets are prepared and approved, and, we suggest this might be accomplished by strict adherence to a work program based budget. We suggest also that pre-audit and post-audit might be relied upon more extensively to prevent abuse of the flexible budgeting privilege.

Management audits, begun by the Board of Supervisors in 1971, have already demonstrated how substantial savings can be achieved through more efficient operation in certain departments. These audits may also help in obtaining more realistic budgets, thereby reducing the necessity for the controls now exercised by the Board through supplemental appropriation requests.

Supplemental appropriation requests will always be necessary but, we think the volume of requests submitted each year is indicative of unrealistic budgeting. We urge the Mayor to continue his efforts to require the submission of work programs with budget requests to achieve more realistic budgeting and, we recommend that the Mayor promote the use of work program based budgets with the Board of Supervisors. We urge also that the Mayor and the Board permit department heads greater flexibility within departmental budgets that are based upon work programs.

4. THE MAYOR SHOULD SEEK AGREEMENTS FROM FEDERAL AND STATE AGENCIES TO RECOGNIZE LOCAL PROGRAM PLANNING AND COORDINATION EFFORTS, TO ASSIST AND COOPERATE WITH SUCH EFFORTS AND, TO BRING ABOUT REFORM IN STATE AND FEDERAL PROCEDURES.

As long as federal and state agencies have the responsibility for the control of funds that are for the use of local governments we can expect that certain procedures and criteria will be required. We maintain our position that federal and state agencies should attempt to be as flexible as possible in preparing and enforcing rules and regulations for the use of federal or state funds. We hope that with general and special revenue sharing there will be a greater reliance by federal and state agencies on quarterly reporting and post audit rather than pre-funding project justification or workable program-type reporting. There are some indications that federal regulations are being revised to be more flexible through such measures as "Annual Arrangements," "Planned Variations" and "Integrated Grant Administration." However, there is still much of the carrot-and-stick approach in these efforts and there are few indication that the massive reviewing apparatus set up during the 1960's is being dismantled. We can only wonder what administrative directives are being devised in anticipation of special revenue sharing.

We are concerned that proposed shifts from federal responsibility to state responsibility for certain bloc grant or special revenue sharing program will produce a new set of administrative directives from the State. Unless the State adopts the attitude from the beginning that local governments have an inherent right to these funds, local governments will be saddled with more red tape and restrictive requirements. If the funds are administered on a competitive basis it is almost certain that local governments will have to meet criteria that have been devised primarily to make administration as easy as possible for the State and, the State will most likely try to enforce a uniform and standard way to run local government. We should try to prevent this from happening.

We suggest that the Mayor should seek agreements from the state and federal governments on the following:

1. Recognition of local government procedures.

We should work to bring to an end the carrot-and-stick approach to administering federal and state funds. By "recognition" we mean that local governments would not be forced to adopt procedures or reforms in order to get federal or state funds. We mean also that proposed local reforms, such as those in this report, would not be used as criteria to determine eligibility for funds, as workable program requirements attempt to do. The emphasis should be on flexibility in administration.

2. Compilation of statistics suitable for local use and financial assistance in obtaining statistical information.

Information on federal funds coming into San Francisco is not easy to obtain. This is true also of federal funds that come through state agencies or state funds that are distributed directly to specific projects or programs. The information that is available to us now is seldom in a form that is readily usable to us. Our report on "The Flow of Federal Funds" provides a more detailed explanation of our information needs and the problem we have of obtaining information from Federal sources.

We have established, in the conduct of this study, a cooperative effort with the Federal Regional Council to identify and obtain the kinds of statistical information that would

be useful to us. We recognize that we must also improve our own procedures for the collection of statistical information and we have recommended that statistical information on state and federal funds be collected on a regular basis in the Mayor's office. We should continue our cooperative efforts with the Federal Regional Council and we should initiate similar efforts with the State Office of Intergovernmental Management and the State Council on Intergovernmental Relations.

Hopefully, revenue sharing will eliminate some of the statistical reporting that was required under categorical aid funding. We have seen, recently, greater willingness by federal agencies to assist financially in the collection of statistical information that has been required by them. Most planning grants include allowances for data gathering and analysis. We think this assistance should continue and that we should insist that the Federal Government adopt a uniform policy of assisting local governments or agencies in the collection of information on all areas of national concern such as housing, environmental protection and employment.

3. Reduction in the number of quasi-governmental or quasi-legislative reviewing or coordinating agencies that have been established to administer or control federal or state funds coming in to local governments.

With revenue sharing there should be fewer requirements imposed by the federal government on the administration or distribution of federal funds at the local level. We recognize that there is need for attempting to coordinate, on a regional level, matters of regional concern or matters of common interest to local governments within a region. We recognize that some of the Federal reviewing requirements that have been established are attempts to obtain better coordination

among federal agencies. We feel, however, that federal and state requirements for regional review and control over funds for local government expenditures may, in some cases, be unwarranted and that some controls may be antithetical to the revenue sharing concept of local responsibility and determination. We did not have time, in this study, to identify the extra-local controls that should be reviewed. We suggest that the Mayor ask the Federal Regional Council to cooperate with and assist him in identifying these extra-local review requirements. Included would be procedures such as the ABAG (A-95) review, the comprehensive Health Planning Council (CHP) review, and the Comprehensive Area Manpower Planning System (CAMPS) review; any review procedures that may have an effect on the flow of funds to local governments. While we are concerned that some existing review and control procedures may be unnecessary or should be revised, we are more concerned that a new set of extra-local requirements will be imposed on local governments by federal and state agencies disbursing special revenue funds. We suggest that the Mayor exert a vigorous effort now with federal and state agencies to encourage the view that there should be few impediments to the flow of funds from the federal government to local governments that are intended for the use of local government.

4. Continued federal assistance in helping local planning efforts and management improvement efforts.

This study was made possible with funds from the Federal Regional Council. The Office of Community Development in the Mayor's Office is financed with federal "701" funds. The Office of Economic Development in the Mayor's Office has begun operation with funds from the Department of Commerce. The Urban Design Plan for San Francisco which has received much recognition and several awards, was financed by a "701" grant from the Department of Housing and Urban

Development. All of these activities were completed or begun in 1972. There is no question but that the activities financed by these funds would have been postponed or not begun at all if they were dependent entirely on local funds. This kind of assistance to local government is meaningful and it should be continued, provided that the funds can be used by local governments to achieve local government objectives.

We urge the Mayor to press for continuance of federal financial assistance for the improvement of local planning efforts such as the Urban Design Study and for management and administrative improvements. We should seek those funds which permit us to do planning or analysis which we might not otherwise be able to do but, only those funds which permit local option and which do not require, as a condition, meeting federally imposed prerequisites or follow-up actions.

5. The federal government should get its house in order for revenue sharing.

We have had much talk and little action on special revenue sharing and there are still many uncertainties about general revenue sharing. In the meantime, local governments, particularly large cities, are in a severe bind for funds to continue programs which were started with federal funds. This fact reinforces our insistence that federal agencies can help most by helping us to help ourselves rather than by promulgating directives on how local government must be organized and how it must respond in order to receive federally disbursed funds. We suggest that the Mayor insist that federal agencies need to get their own practices and procedures in line with revenue sharing. Specifically we recommend that the following matters need attention:

- a) Lack of uniformity in regulations, forms, and procedures.

We recognize that uniformity is difficult and sometimes impractical to achieve among federal agencies because of the separation of agencies and the legislation that regulates them. However, for the same reason that federal agencies want local government to adopt and use uniform accounting, management and administrative procedures, local governments want such uniformity. What is good for the goose is good for the gander. We think that the members of the Federal Regional Council recognize that there are wide differences in the rules and regulations of the various federal agencies that local governments must follow. A single agency's procedural requirements are not a problem but several agencies' requirements are. Each agency worries about its own procedures but no one, until recently, worried about them collectively. The President's Office of Budget and Management began looking into this

problem in 1971-72 and the Federal Regional Council has recognized that something ought to be done to reduce the burden of accounting, processing and administration of federally financed programs. We should insist on it.

- b) No federal counterpart of the "clearinghouse" procedure.

Although attempts have been made to improve coordination among federal agencies administering grant aid programs there is not, in our opinion, sufficient inter-agency coordination among federal agencies on local programs. The Model City program produced some improvement and, some measures, such as the Integrated Grant Administration, have been tried on an experimental basis. We think there needs to be continued and intensified effort by federal agencies to improve coordination among federal agencies; not, however, in the direction of the carrot-and-stick measures that have been used recently by the Department of Housing and Urban Development. We think the move to bloc-grant and shared revenue funding calls for a high degree of coordination and streamlining and a reduction of red tape. The Federal Regional Council appears to be the avenue through which this might be accomplished.

- c) Lack of adequate information in federal funding.

This problem was described in No. 2, above. The solution is closely related to the foregoing (a & b) where lack of uniformity and coordination in the administration of grant programs results in lack of information of the kind needed by local governments.

- d) Lack of funds for local management and budget reforms.

This subject has also been covered previously in No. 4. This is the kind of help that local governments really need.

- 6. An opportunity to participate in the development of administrative regulations for the disbursement of funds from state agencies to local agencies.

We recognize that it is a difficult task to translate federal and state legislation into rules and regulations for the distribution of funds for local governments on a fair and equitable basis. Often, a common denominator or a rule-of-thumb criteria is used for lack of a better method.

There are more ways by which local governments may attempt to influence the writing of legislation than there are ways to influence administrative interpretations and the writing of regulations following the enactment of legislation. The National League of Cities, The U. S. Conference of Mayors, legislative representatives and legislators themselves exert a great deal of influence in the making of legislation. They are less effective in influencing the making of rules and regulations because these are often made in house without public debate or exposure or opportunity to comment prior to their issuance, unilaterally, by the government responsible for making them. We are concerned that rules and regulations for the disbursement of federal revenue funds from the state to local governments will be done in a unilateral manner. We expect that large cities, such as San Francisco, San Diego, Oakland, and San Jose will have to abide by common denominator or rule-of-thumb allocations that fail to provide the most funds where the most need is unless, there is some way, from the beginning, to influence the way in which administrative rules and regulations for the disbursement of these funds is written.

We recommend that the Mayor communicate this concern to members of the State Legislature, to the California League of Cities and to the State Council on Intergovernmental Relations. We further recommend that the Mayor initiate a cooperative effort with the cities of Oakland and San Jose and perhaps, San Diego and Los Angeles, to communicate to the Council on Intergovernmental Relations the desire of these cities to have an opportunity to participate in the development of rules and regulations and the administration of shared revenue programs. We think that such initiative by cooperating cities could help ward off some inequities in the distribution of shared revenue funds and perhaps some red tape that is entirely unnecessary.

STAFF COSTS

If the recommendations we have made for additional activities in the Mayor's Office are carried out, additional staff will be required. Although we think that it may be possible to reassign some staff already employed by the City to some of the duties prescribed, we think it realistic to anticipate at least seven new staff positions and some additional operating cost. Our estimate of these annual costs for new staff are as follows:

Preparation of Annual Reports on Community Improvement

a)	Use of clearinghouse staff (detail below)	
b)	Use of Department of Community Development Staff (existing)	
c)	Use of reassigned Model City Staff (existing)	
d)	Use of Capital Improvement Advisory Committee Staff (existing)	
e)	New position:	
	One City Planner assigned to City Planning to	
	augment CIAC staff - - - - -	\$16,000 yr.
	Sub Total - - - -	\$16,000

Central Control and Clearinghouse

a)	Use of Community Development Staff (existing)	
b)	Use of reassigned Model Cities Staff	
c)	New Positions:	
	1 Program Administrator	\$18,000
	1 Program Coordinator	18,000
	1 Analyst	14,000
	2 Research Assistants (14,000 Ea)	28,000
	2 Secretarial (9,000 Ea)	<u>18,000</u>
	Sub Total	\$96,000

Sub Total, New Staff	\$112 ,000
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Operating Costs & Add'l Cost in Staff Time:

a) Overhead & operating costs (approx. 50% of new staff costs)	60 ,000
b) Additional cost in staff time (existing staff) as a result of recommendations; approximately 25% of new staff costs	<u>28 ,000</u>

Sub Total, Add'l Costs	\$108 ,000
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Total, new staff and additional costs	- - - - - \$210 ,000
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Recommended Source of Financing for First Year:

From new grant, Federal Regional Council	\$160 ,000
From City funds	<u>50 ,000</u>
Total	\$210 ,000

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